

## Message Text

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PAGE 01 EC BRU 03343 051233Z  
ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AID-05 CEA-01 CIAE-00 COME-00  
EB-08 FRB-03 INR-07 NSAE-00 SP-02 STR-04 TRSE-00  
LAB-04 SIL-01 OMB-01 AGRE-00 SS-15 NSC-05 /082 W  
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R 051249Z APR 77  
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INFO ALL EC CAPITALS  
USDEL MTN GENEVA  
USMISSION GENEVA  
USMISSION OECD PARIS

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PASS AGRICULTURE ELECTRONICALLY

E.O. 11652: N/A  
TAGS: EAGR, EEC  
SUBJECT: TRANSFER OF WHEAT TO THE ITALIAN INTERVENTION AGENCY

REF: (A) 76 EC BRUSSELS 3568, (B) 76 EC BRUSSELS 4366,  
(C) 76 EC BRUSSELS 7232, (D) 76 EC BRUSSELS 5514

1. COUNCIL REGULATION NO 564/77 OF MARCH 15, 1977 AUTHORIZES THE TRANSFER OF 300,000 TONS OF MILLING QUALITY SOFT WHEAT FROM THE GERMAN INTERVENTION AGENCY TO THE ITALIAN INTERVENTION AGENCY. THIS TRANSFER IS TO TAKE PLACE BY JULY 31, 1977. THE OFFICIAL REASON GIVEN FOR THIS TRANSFER, WHICH WAS AGREED ON AT THE MARCH 14-15 MEETING OF THE COUNCIL OF AGRICULTURAL MINISTERS, IS THAT THE ITALIAN WHEAT MARKET IS EXPERIENCING SUPPLY DIFFICULTIES AND THAT THE SHORTAGE OF THIS GRAIN IS LIKELY TO INCREASE SUBSTANTIALLY AS A RESULT OF THE REDUCTION IN THE WINTER SOWINGS OF WHEAT. AT THE MARCH 25-29 MEETING OF THE COUNCIL OF AGRICULTURAL MINISTERS, THE COMMISSION  
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PAGE 02 EC BRU 03343 051233Z

INTRODUCED, AS PART OF ITS "FINAL" 1977/78 PRICE PACKAGE, A PROPOSAL AUTHORIZING THE TRANSFER OF AN ADDITIONAL 200,000 TONS OF WHEAT FROM GERMAN TO ITALIAN INTERVENTION AGENCIES BEFORE THE END OF THE CURRENT CROP YEAR. CHANCES ARE GOOD THAT THIS PROPOSAL WILL BE APPROVED AT THE NEXT COUNCIL MEETING.

2. TRANSFERS OF GRAIN TO THE ITALIAN INTERVENTION AGENCY

HAVE BEEN SUBSTANTIAL OVER THE PAST YEAR. IN APRIL 1976 THE COUNCIL APPROVED THE TRANSFER OF 300,000 TONS OF SOFT WHEAT FROM THE FRENCH, BELGIAN, DUTCH AND GERMAN INTERVENTION AGENCIES TO THE ITALIAN INTERVENTION AGENCY (COUNCIL REGULATIONS 873/76 AND 1022/76--REFS. A AND B). IN JULY 1976, THE COUNCIL AUTHORIZED THE TRANSFER OF 100,000 TONS OF FEED GRAINS (80,000 TONS BERLEY, 20,000 TONS FEED WHEAT) FROM THE GERMAN INTERVENTION AGENCY(COUNCIL REGULATIONS 1863/76 AND 2482/76--REF. D). A COMMISSION OFFICIAL IN THE GRAINS SECTION TELLS US THAT HE BELIEVES THAT ALL THESE TRANSFERS WERE COMPLETED. HE ALSO BELIEVES THAT MOST OF THE GRAIN HAS BEEN SOLD BY TENDER BY THE ITALIAN INTERVENTION AGENCY ALTHOUGH 100,000 TONS WAS SOLD TO THE ITALIAN GOVERNMENT FOR THE PRODUCTION OF "PANE COMUNE," A TYPE OF BREAD CONSUMED BY THE LOW-INCOME ELEMENTS OF THE POPULATION (REF.C.).

3. VARIOUS JUSTIFICATIONS HAVE BEEN CITED FOR THESE GRAIN TRANSFERS. THE REGULATIONS ISSUED IN APRIL 1976 WHICH AUTHORIZED THE TRANSFER OF SOFT WHEAT CITED SUPPLY DIFFICULTIES AND HIGH PRICES IN ITALY RESULTING FROM ITALY'S STRUCTURAL PRODUCTION DEFICIT AND FROM "SPECULATIVE RETENTION" (HOARDING) AND A DECREASE IN IMPORT DUE TO MONETARY DISTURBANCES. THE JULY 1976 REGULATION AUTHORIZING THE TRANSFERS OF FEED GRAINS CITED SUPPLY DIFFICULTIES AND HIGH PRICES CAUSED BY THE DROUGHT.

4. WHATEVER THE VALIDITY OF THESE JUSTIFICATIONS, THE ITALIAN GOVERNMENT HAS APPARENTLY COME TO VIEW SUCH TRANSFERS AS USEFUL CONCESSIONS AND APPEARS LIKELY TO CONTINUE TO LIMITED OFFICIAL USE

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PAGE 03 EC BRU 03343 051233Z

PUSH FOR THEM IN COUNCIL DELIBERATIONS. COMMISSION OFFICIALS TELL US THAT THE BENEFIT FOR ITALY (ASIDE FROM ANY MARKET STABILIZING EFFECTS THE TRANSFERS MAY HAVE) RESULTS FROM THE FACT THAT THE ITALIANS DO NOT HAVE TO SPEND VALUABLE FOREIGN EXCHANGE TO OBTAIN GRAINS UNDER THESE ARRANGEMENTS. INSTEAD, IT IS GIVEN TO THEM ON A CONSIGNMENT BASIS AND THEY NEED REIMBURSE FEOGA IN LIRE ONLY UPON SALE OF THE COMMODITY. IT ALSO APPEARS THAT IN SOME WAY NOT CLEAR TO US ITALY BENEFITS FROM THE USE OF NON-MARKET EXCHANGE RATES IN THESE TRANSACTIONS.

5. ROME MAY WISH TO COMMENT ON THE NEED FOR THESE TRANSFERS, THEIR FINANCIAL ADVANTAGES FOR THE ITALIAN GOVERNMENT, AND THEIR EFFECTS ON THE INTERNAL MARKET AND ON FOREIGN TRADE, PARTICULARLY IN VIEW OF THE ABUNDANCE OF WHEAT ON THE WORLD MARKET. HINTON

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## Message Attributes

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**Channel Indicators:** n/a  
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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009